

## **BOROUGH OF KETTERING**

### **MONITORING AND AUDIT COMMITTEE**

**Meeting held: 5<sup>th</sup> February 2019**

**Present:** Councillor Jonathan West (Chair)

Councillors Ash Davies, Jenny Henson, Anne Lee, Paul Marks,  
Greg Titcombe

**Also Present:**

Lisa Hyde	(Executive Director)
Mark Dickenson	(Head of Resources)
John Conway	(Head of Housing)
Guy Holloway	(Head of Corporate Development)
Ola Oduwole	(Interim Head of Democratic & Legal Services)
Rob Thompson	(Benefits Manager)
Dean Mitchell	(Group Accountant)
Jo Haines	(Group Accountant)
Carly Hohn	(Housing Solutions Manager)
David Pope	(Committee Administrator)
Neil Harris	(EY)

#### **18.MA.28 APOLOGIES**

Apologies were received from Councillor Mike Tebbutt.

#### **18.MA.29 MINUTES**

**RESOLVED** that the minutes of the meeting of the Monitoring and Audit Committee held on 6<sup>th</sup> November 2018 were approved as a correct record and signed by the Chair.

#### **18.MA.30 DECLARATIONS OF INTEREST**

None

#### **18.MA.31 EXTERNAL AUDIT REPORTS (A1)**

Two reports were submitted from the Council's former and current External Auditors KPMG and EY respectively which presented the

following:-

- (a) The Certificate and Grants letter that summarised the results of the external audit work carried out by KPMG on the certification of the Council's 2017/18 grants claims and returns;
- (b) The 2018/19 Financial Statements Audit Plan, which detailed the work EY intended to carry out with regard to the Council's 2018/19 Statement of Accounts.

Neil Harris (EY) was welcomed to the meeting to answer members' questions regarding the 2018/19 Financial Statements Audit Plan.

#### Certification and Grants

During 2017/18, certification work was undertaken on two grants and returns relating to the Housing Benefit Subsidy Claim and Pooling of Housing Capital Receipts. A qualified report in relation to the Housing Benefit Subsidy Claim had been provided owing to errors amounting to £2,000 being identified. An unqualified report had been issued in regard to KBC's Pooling of Housing Capital Receipts.

#### Financial Statements Audit Plan

It was reported that each year the Council's external auditor provided details of the approach they wished to adopt with regard to the audit of the Council's Statement of Accounts.

The Financial Statements Audit Plan was included in the report which detailed EY's intended approach. Neil Harris from EY was introduced to the meeting and provided an in-depth look at the audit plan for the forthcoming year as the Council's new external auditors.

The meeting heard that EY would return to the April meeting after the conclusion of the interim audit procedures. Already a number of discussions had been held with KBC's Finance Team to inform EY's understanding of the Council, its financial position and the challenges faced including local government reorganisation and the financial position of the county council.

Initial planning activities had commenced and EY were reviewing KPMG files from last year, had held handover discussions and reviewed the previous year's audit report.

The Committee appreciated the layout and format of the report supplied to them by EY and asked questions in relation to corporate fraud and the possible use of specialists in relation to the valuation of assets and pension disclosure.

**RESOLVED**

that the committee received and noted:

- (ii) The Certification and Grants Report for 2017/18; and
- (iii) The 2018/19 Financial Statements Audit Plan.

**18.MA.32 BUDGET PROPOSALS FOR 2019/20 AND PREPARING FOR THE MEDIUM TERM (A2)**

A report was submitted which considered the Council's draft budget proposals and medium term financial forecast and sought comments for reporting back to the Council's Executive for consideration at its meeting on 13<sup>th</sup> February 2019. A copy of the presentation is included at Appendix A to the minutes.

The Head of Resources and Group Accountants attended the meeting to answer member's questions.

Members of the Committee submitted comments as follows:-

<b>Item / Issue</b>	<b>Response</b>
<p>I have concerns that additional income arising from fees and charges is not laid out very clearly. We find that some charges have gone up a lot more than others, sometimes well above the rate of inflation. Can this be laid out a lot more clearly, especially the contribution from increased work and how much is a result of any increase to an individual fee?</p> <p><b>(Cllr Jonathan West, Chair of M&amp;A)</b></p>	<p>We will feed those comments back to the Executive. In terms of fees and charges impacting on the budget, only one charge will be having a budgetary impact and that is in relation to crematorium fees.</p> <p><b>(Mark Dickenson, Head of Resources)</b></p>
<p>There is no incentive to freeze Council Tax next year, my personal view is that to be a prudent Council we do need to consider that carefully as this can impact on the Council's financial stability. I am minded to request that the ability to increase Council Tax by up to 3% without triggering a referendum should be seriously considered by the Executive Committee.</p> <p><b>(Cllr Jonathan West, Chair of M&amp;A)</b></p>	
<p>Where are the reserves detailed and how much do we have in reserve?</p> <p><b>(Cllr Anne Lee, KBC)</b></p>	<p>Full details of the council's reserves form part of the Statement of Accounts and do not form part of this report.</p> <p><b>(Mark Dickenson, Head of Resources)</b></p>

<p>Sport Development has only used 72% of the allocated budget for employees due to vacancies. This seems to be quite a lot of vacancies?</p> <p><b>(Cllr Anne Lee, KBC)</b></p>	<p>Note PS2 as part of that budget line, provides narrative around in year vacancies. Additionally, we look at where staff are spending their working time to make sure it is correctly allocated to the service where that work is carried out.</p> <p><b>(Mark Dickenson, Head of Resources)</b></p>
<p>Economic Development; to support business and enterprise, which I would have thought is pretty crucial, yet we have only spent 73% of the budget. I wonder why there is an underspend when business needs support?</p> <p><b>(Cllr Anne Lee, KBC)</b></p>	<p>There were two staff vacancies during the course of the year, one of these positions had now been recruited to.</p> <p><b>(Mark Dickenson, Head of Resources)</b></p>

**18.MA.33     CODE OF CORPORATE GOVERNANCE (A3)**

The meeting received the draft Code of Corporate Governance 2019 for review and recommendation to Council.

It was noted that the Code of Corporate Governance served to strengthen the Annual Governance Statement and was recommended best practice consistent with the framework and guidance published by the Chartered Institute of Public Finance and Accountancy.

The Committee was advised that to date the Council did not have an adopted Code of Corporate Governance and it was a recommendation of the Council’s internal auditors that such a code be developed and adopted. The draft code before members was consistent with CIPFA guidance published in April 2016.

**RESOLVED**                    that the Committee recommended the draft Code of Corporate Governance 2019 to Council for adoption.

**18.MA.34     MANAGEMENT OF VOID PROPERTIES (A4)**

Members received a report and supplementary presentation from the Head of Housing which detailed the Council’s progress in improving the performance in the management of void properties within its housing stock.

The meeting heard that the issue formed a key priority for the Council and was an area with significant room for improvement. This was partially due to a 40% increase in the number of void properties in the last financial year that had impacted upon the ability to return these

properties to the Council's housing stock in a timely fashion.

The Committee heard details of a number of service improvements in relation to the voids process as follows:

- The responsibility for void properties was now solely within the Housing unit, decreasing handover delays between service areas
- A member of staff had been seconded to fulfil the newly created Voids Project Manager role, with responsibility for reviewing all aspects of the voids process
- A new management structure was in effect from August 2018 to manage the delivery of work to void properties
- Introduction of a standard ten point process in scheduling void works
- New lettable standards for consistent final void products
- Monitoring and reporting systems enhanced

The meeting noted a significant reduction in void properties from 106 in November 2017 to 71 at the end of the previous week, with an aim to reduce the number to 56 by the end of the current week. Void times had also been drastically reduced from 93 days in March 2018 to a current time of 46 days, with an aim to reduce this to 30 days going forward.

Plans going forward were outlined, with meeting noting a need to look at both voids and homelessness from the customer perspective while adopting a strategic approach to programming work to individual properties. Processes for inspecting properties while outgoing tenants were still resident required improvement alongside communication with customers about to move into a new home. A new procurement framework to source contractors at peak times would also be adopted.

Members asked questions in relation to damage and vandalism caused to void properties and costs involved in taking a standardised approach to void property maintenance.

**RESOLVED** that the Monitoring and Audit Committee noted the current position regarding void property maintenance.

#### **18.MA.35 HOMELESSNESS UPDATE (A5)**

The Housing Solutions Manager attended and provided the Committee with a presentation on the work being undertaken to tackle the growing issue of homelessness in the Borough.

The meeting noted a soaring demand for social housing for a variety of factors including changing demographics, home ownership becoming increasingly unaffordable, rapidly rising private sector rents and the impact of Welfare Reform.

A number of key statistics were provided as follows:

- KBC had received 924 approaches from people in housing need relating to the Homelessness Reduction Act
- A total of 17 rough sleepers had been identified in the Borough during the annual check. Five of those individuals had been included in the total for the previous year
- There were 186 households currently in temporary accommodation, up from fewer than 20 in 2014/15
- There were 627 applicants on the Council's Keyways system, 393 having been assessed as in urgent or emergency need of housing
- A total of 474 properties had been let in the past year on Keyways, although there was a mismatch between available properties and property types required by those on Keyways
- Homeless applications had risen from 121 in 2014/15 to 391 in the previous financial year
- The Council had purchased 20 properties on the open market to utilise for temporary accommodation thereby reducing the reliance on more expensive nightly paid accommodation. A further five properties were going through conveyancing.

Further information was supplied regarding rough sleepers in the Borough, with the Council being aware of 27 individuals rough sleeping on a regular basis. Since September 2018, eight rough sleepers had been housed and work had been undertaken alongside the Night Shelter which had recently accessed additional funding to allow it to remain open until the end of March. Funding had been obtained through the Cold Weather Fund to extend the existing Night Shelter as well as look at provision of a day centre and rough sleeper support worker. Additional funding was being sought from the national Rough Sleeper Fund.

Temporary Accommodation (TA) use was being considered at a senior level with a case management approach utilised. Service Level Agreements had been agreed with specific nightly paid accommodation providers to drastically reduce the costs involved and a new TA policy set out how the Council allocated accommodation to allow for consistent and accountable decision making.

In relation to homelessness and the private rented sector, a bid had been made to government to access the £20 million Private Rent Sector Access Fund. Funding, if acquired would allow the Council to mobilise its Private Rent Sector offer more quickly. An event for landlords was planned for 6<sup>th</sup> June at which KBC initiatives would be communicated.

The Committee expressed its thanks for the efforts of the Housing Team in relation to homelessness and asked that this be conveyed to staff. It was also agreed that both voids and homelessness updates would become standing items of the Committee going forward.

**RESOLVED**

that the Monitoring and Audit Committee noted the current position regarding homelessness and the use of temporary accommodation.

**18.MA.36 HOMES FOR THE FUTURE – MONTROSE HOUSE – PROJECT REVIEW (A6)**

The Committee noted that an issue had been raised at the December 2018 meeting of Council regarding the overspend on the Montrose House element of Hampden Crescent Homes for the Future project. Council had been concerned that lessons be learned regarding the overspend and that the risk of a similar occurrence be reduced on any future projects.

Members were supplied with background to the project, noting the outdated nature of Hamden Crescent with each of its two blocks of 11 3-bed flats having been hard to let, heating inefficient and generally no longer fit for purpose. A number of additional specific issues were detailed including poor sound insulation, health and safety concerns and anti-social behaviour (ASB) problems.

The four primary objectives of the project were outlined as follows:

- To redevelop the existing three-bedroom flats to provide new one and two-bedroom apartments and wheelchair accessible accommodation, in line with the priorities of the Housing Strategy 2015-20.
- To refurbish the living accommodation to create homes which met the 'Homes for the Future' standard
- To provide a warm and energy efficient home environment for residents with low fuel costs.
- To create a safer, more attractive neighbourhood with lower levels of ASB.

A works package had been tendered for that would see Montrose House converted 18 new one and two-bed flats, including four wheelchair access flats, with a number of elements including new central heating and hot water system, fitted kitchens, sound-proofing and external wall insulation.

A project review had been undertaken upon completion of the works to Montrose House that examined financial aspects, whether the scheme met project objectives and customer satisfaction.

In terms of the financial aspect, costs had overrun by £480,000. Works identified after demolition and "opening up" works had been carried out were largely the cause of the overspend, along with additional works carried out to reduce future maintenance liabilities and works omitted in error by the technical consultant or incorrectly designed.

Rental income for the block would rise from £3,290 annually in 2016/17 to approximately £68,000 per annum in future. Although the scale of the overspend was regrettable, there would be a number of positives from the project including a significant saving in terms of temporary accommodation.

All four project objectives had been successfully achieved and customer feedback had been very positive.

Key learning points from the project would be put to use in the tendering process and development of technical specifications for the second block at Hampden Crescent and project monitoring procedures were being improved alongside a revised capital programme report that would be submitted to the Tenants' Forum.

The Committee noted that while the overspend was regrettable, the positives from the scheme could not be overlooked and lessons learned from the Montrose House project should stand the Council in good stead for works on the second block.

**RESOLVED** that the Monitoring and Audit Committee noted the contents of the Montrose House project review.

## **18.MA.37 KEY UPDATES (A7)**

### Welfare Reform

The meeting received an update in relation to the impact of Universal Credit (UC) and Discretionary Housing Payments (DHP)

The meeting heard that managed migration plans had been pulled and amended at the last minute which would set the process back by approximately six months.

A major legal challenge had been made where a claimants' periodic wages were received at irregular intervals and amounts resulting in loss of UC. The Supreme Court had ruled the DWP calculation methods in the instance to be illegal. The DWP had been ordered to change its methods and had until 26<sup>th</sup> February to respond. Although this particular case would not impact a great number of UC claimants, it had opened a bigger picture of UC having too many inflexible systems in place.

Further guidance was awaited on mixed-age couples where one was of pensionable age potentially considered to be of working age in terms of claim status with effect from May 2019.

The meeting noted the increasing complication of the UC system. What had originally been intended to be an open and transparent system was being clouded by increasing complexity and transitional protection.

A portal for private landlords looking receive direct rent payments was being considered. In addition payment frequencies for some claimants was being examined as already monthly payments were proving unworkable.

A brief Discretionary Housing Payment update was noted, with remaining funds now around £30,000 since the publication of the agenda papers.

**18.MA.38 KEY PERFORMANCE INFORMATION BOOKLET (A8)**

Members received and noted the Key Performance Information Booklet.

**18.MA.39 WORK PROGRAMME (A9)**

The work programme was submitted to the Committee for consideration. The following reports would be brought to future committees:-

- Air Quality report
- Commercial Investment Monitoring
- Homelessness/Voids (standing item going forward)
- Internal Audit Plan
- Interim Audit Findings

*(The meeting started at 7.00pm and ended at 9.14pm)*

Signed: .....

(Chair)

DJP